UNITED
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Economic and Social Council

Distr.
LIMITED

E/ICEF/1990/AB/L.13
26 January 1990

ORIGINAL: ENGLISH

UNITED NATIONS CHILDREN'S FUND
Committee on Administration and Finance
1990 session

FOR ACTION

PROPOSED AMENDMENT TO UNICEF FINANCIAL REGULATION 4.10 ON REVALUATION POLICY

Background

1. UNICEF financial regulation 4.10 reads as follows:

"Regulation 4.10: Difference resulting from the payment of contributions pledged in currencies other than United States dollars shall be recorded:

"(a) Against these contributions if the payment of the pledge is made within the year for which the pledge is intended;

"(b) Against UNICEF miscellaneous income, as gains or losses on exchange, if payment of the pledge is made subsequent to the year for which the pledge is intended."

2. As currently worded, regulation 4.10 results in a different accounting for foreign exchange evaluation gains or losses depending on the timing of the receipt of the payment of contribution. This policy was established many years ago in an environment where the majority of contributions received by UNICEF were general resource funds not requiring the specific matching of the financial resources available to cover the levels of specific projects and where, for the most part, contributions were pledged annually and, in most cases, paid in the same year as the pledge was intended.

3. However, the funding environment of UNICEF has changed substantially in recent years where contributions for supplementary funding constitute a substantial portion of income. Under these circumstances, various operational, accounting and management problems arise. Commitments for supplementary funds are for specific projects which may take place over several years. Payment of supplementary funds

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tend to be made in line with implementation, thus extending the time period of the receipts and increasing the need for revaluation in subsequent years. Under the principles of fund accounting, the effects of these revaluations should be recorded against each individual supplementary contribution.

4. It is generally accepted that the underlying accounting principle of revaluation is to "provide information that is compatible with the expected economic effect of rate changes on an enterprise's cash flow". 1/ The External Auditors have also recommended in their recent management letter a review of the regulation in the light of those problems.

5. Taking into consideration such accounting principles, the current contribution environment and the audit recommendations, it is proposed to amend regulation 4.10 as follows:

> "Regulation 4.10: Differences resulting from the payment of contributions pledged in currencies other than United States dollars shall be recorded against these contributions."

6. The immediate effect of this proposal on funds available for supplementary-funded projects would be that the amount authorized for expenditure would reflect the actual amount received in United States dollar equivalents. For any pledged contribution, the amount authorized for expenditure would continue to be amended until all the funds had been received. Although this would require some additional internal procedures, the proposal would facilitate integrity of the income/receivable/commitment data bases and thereby facilitate more transparent reporting to donors. It should also be noted that this change in the financial regulation would not change the accounting procedures in adjusting income resulting from exchange rate changes within the year for which the pledge was intended. However, it would allow UNICEF to attribute every exchange rate fluctuation effect directly to each funding source, rather than to the miscellaneous income account. This should allow for better programme management and utilization of funds.

Draft resolution

The Executive Board

Decides to amend regulation 4.10 to read as follows:

> "Regulation 4.10: Differences resulting from the payment of contributions pledged in currencies other than United States dollars shall be recorded against these contributions."

Notes

1/ Financial Accounting Standard Board.

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E/ICEF/1990/AB/L.14
27 February 1990

ORIGINAL: ENGLISH

UNITED NATIONS CHILDREN'S FUND
Committee on Administration and Finance
1990 session

FOR INFORMATION

REPORT TO THE UNITED NATIONS BOARD OF AUDITORS AND THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS REGARDING GENERAL ASSEMBLY RESOLUTION 44/183

Introduction

1. At its forty-fourth session, the General Assembly adopted resolution 44/183 in which it requested:

> "7. ... the Secretary-General and the executive heads of United Nations organizations and programmes concerned to report to the General Assembly at its forty-fifth session, through the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions, specific measures taken to implement the recommendations of the Board, and to explain if any of those recommendations have not yet been implemented, and requests the Board and the Advisory Committee to evaluate the efficacy of those measures and to report thereon to the General Assembly at its forty-fifth session;
>
> ...
>
> "14. ... the Secretary-General and the executive heads of United Nations organizations and programmes, in consultation with the Board of Auditors, to develop further, with a view to prompt completion, the general accounting framework within which financial statements may be prepared, having regard to the relevant financial regulations and rules and also to generally accepted accounting principles, and to report thereon to the General Assembly at its forty-fifth session;
>
> ...

"16. ... all administrations and governing bodies concerned, in co-operation with the Board of Auditors, to complete the review and clarification of their accounting policies with respect to the recording of unliquidated obligations, taking into account generally accepted accounting principles and regulations 4.3 and 4.4 of the Financial Regulations of the United Nations;"

2. In compliance with that resolution, this report will review each of the requests in line with UNICEF experience.

3. As requested in resolution 44/183, this report will be submitted to the United Nations Board of Auditors and to the Advisory Committee on Administrative and Budgetary Questions for their evaluation of the efficacy of those measures.

Follow-up on the recommendations of the Board of Auditors

4. Effective 1 January 1988, the UNICEF financial reporting period, as it relates to official reports from the United Nations Board of Auditors, changed from a yearly cycle to a biennial cycle because the UNICEF Executive Board, at its 1987 session, adopted decision 1987/2 (E/ICEF/1987/11) which, inter alia, requested the biennialization of UNICEF financial reports and subsequent Board of Auditor's reports in line with paragraph 9 of General Assembly resolution 41/176.

5. Accordingly, although UNICEF continues to "close" its accounts on a yearly basis, there will no longer be an official Board of Auditor's report on UNICEF accounts issued for even-numbered years. As in the past, the Board of Auditors continues to audit UNICEF twice a year and will continue to issue audit observations and management letters for action and follow-up by the UNICEF secretariat.

6. A review of the recommendations of the Board of Auditors and UNICEF follow-up for the fiscal years 1987 and 1986 were reported to the 1989 session of the Executive Board (see document E/ICEF/1989/AB/L.13).

Uniform accounting principles and financial reporting

7. At its forty-fourth session the General Assembly considered a report from the Secretary-General entitled "Presentation and format of financial statements and accounting policies of all audited organizations and programmes" (A/44/537). UNICEF participated in the preparation of that report and continues to work with the United Nations Secretariat on the issue.

8. At its 1987 regular session, the UNICEF Executive Board by decision 1987/13 (E/ICEF/1987/11) adopted the UNICEF Financial Regulations in accordance with Economic and Social Council decision 1986/181 of 23 July 1986, as approved by the General Assembly in its decision 41/461 of 11 December 1986.

9. In accordance with article XII, regulation 12.1 (a) as contained in document E/ICEF/1987/AB/L.3/Add.1 and 2, the Executive Director established the UNICEF Financial Rules, which came into effect on 1 January 1988. These financial regulations and rules (see E/ICEF/FINANCIAL RULES/1), in concert with generally

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accepted accounting principles, define the general accounting framework within which the UNICEF financial statements are prepared.

10. Having reviewed the situation during the preparation of United Nations document A/44/537, UNICEF recognizes the need to standardize the general accounting framework within which the United Nations and other United Nations organizations and programmes prepare financial statements.

11. In this regard, UNICEF has already adopted the United Nations approach to the presentation of capital assets in the 1988-1989 UNICEF financial statements.

12. UNICEF will continue to work closely with the Board of Auditors to determine other areas where it may be possible to standardize the presentation of financial statements. It must be recognized that UNICEF receives income from both Governments and the private sector through, among others, sales of greeting cards and other fund-raising activities. For this reason, and owing to the nature of UNICEF programme implementation, it may not be possible to achieve complete uniformity of UNICEF financial statements with a common United Nations system standard of financial reporting.

13. Regardless of the possible requirements of a set of uniform financial statements, UNICEF accounts will continue to be formulated and presented in conformity with the UNICEF Financial Regulations and Rules and generally accepted accounting principles.

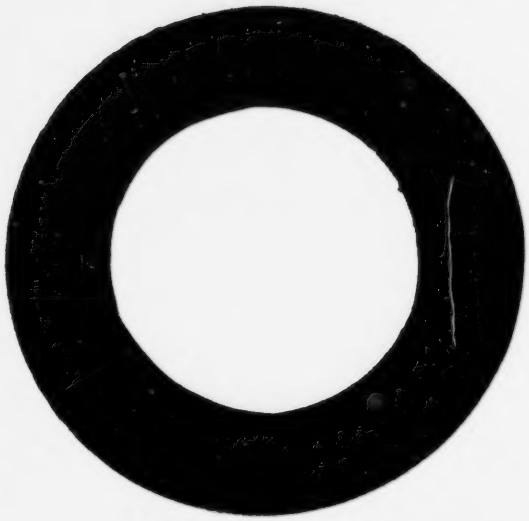
Recording of unliquidated obligations

14. UNICEF financial rule 112.15 states that: "A legal obligation is to be based on a contract, purchase order, agreement or other form of undertaking by UNICEF supported by an appropriate obligating document or based on a liability recognized by UNICEF. Such obligation shall be carried as an outstanding (i.e. unliquidated) obligation unless, after review ... it is considered no longer valid". It should be noted that this wording is exactly the same as the operative paragraph in the United Nations Financial Regulations and Rules (rule 104.1).

15. All outstanding obligations retained against UNICEF biennial budget appropriations or programme allocations are periodically reviewed by certifying officers and, if no longer considered valid, are cancelled from the relevant account with the resulting credit surrendered.

16. Furthermore, the UNICEF Policies and Procedures Manual, Book K, Budget, outlines the specific cases whereby a legal commitment by UNICEF is recognized and a subsequent obligation raised (see section 4.2, page 10).

17. The UNICEF accounting policy on the recording of unliquidated obligations is clear and in line with generally accepted accounting principles. If the United Nations Board of Auditors wishes to review this further, they will do so as part of their normal audit of the UNICEF accounts.



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Distr.
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E/ICEF/1990/AB/L.15
26 April 1990

ORIGINAL: ENGLISH

UNITED NATIONS CHILDREN'S FUND
Committee on Administration and Finance
1990 session

FOR ACTION

STATEMENT OF THE CHAIRMAN OF THE COMMITTEE ON ADMINISTRATION AND FINANCE ON ITS MEETINGS HELD AT UNITED NATIONS HEADQUARTERS FROM 25 APRIL TO 26 APRIL 1990

I. ORGANIZATION OF THE SESSION

1. The Committee on Administration and Finance of the United Nations Children's Fund (UNICEF) met from 25 April to 26 April 1990.

2. The provisional agenda contained in E/ICEF/1990/1/Rev.1 was adopted by the Committee.

II. REVISED BUDGET ESTIMATES FOR THE WORLD SUMMIT FOR CHILDREN AND SUMMIT-RELATED MOBILIZATION ACTIVITIES

3. The Committee recommends that the Executive Board:

Approves the budget estimates for the World Summit for Children for 1990 as follows:

	$
Category 1: Staff costs	357 420
Category 2: Operating costs	1 126 342
Total expenditures	1 483 762

Authorizes the Executive Director to administer in the most efficient and effective manner the provisions under each of the categories 1 and 2, and to transfer funds between allotment accounts as required;

Further authorizes the Executive Director to be authorized to finance the budget from the special account and, until such funds are received, to pay advance expenditures from UNICEF general resources in the receivable account up to the limits of the approved budget.

4. The Committee recommends that the Executive Board:

Approves the budget estimates for mobilization activities related to the World Summit for Children for 1990 as follows:

		$
Category 1:	Staff costs	504 625
Category 2:	Operating costs	1 495 058
	Total expenditures	1 999 683

Authorizes the Executive Director to administer in the most efficient and effective manner, the provisions under each of the categories 1 and 2, and to transfer funds between allotment accounts as required;

Further authorizes the Executive Director to finance the budget from the special account and, until such funds are received, to pay advance expenditures from UNICEF general resources in the receivable account up to the limits of the approved budget.

III. RECOMMENDATION FOR ADDITIONAL HEADQUARTERS OFFICE ACCOMMODATION

5. The Committee recommends that the Executive Board:

1. Takes note of the report contained in E/ICEF/1990/AB/L.9;

2. Defers its decision on additional headquarters office space requirements;

3. Requests the Executive Director, bearing in mind the views expressed by the Advisory Committee on Administrative and Budgetary Questions and the 1990 Executive Board, to submit at the earliest opportunity through the Advisory Committee to the 1991 Executive Board, a review and analysis of UNICEF New York headquarters office requirements, including, inter alia, current and future space needs, relationship to the medium-term plan, alternative locations, estimated costs, and a statement of rental policies.

IV. ESTABLISHMENT OF A RESERVE FUND FOR FIELD OFFICE ACCOMMODATION

6. The Committee recommends that the Executive Board:

Authorize the establishment of a Reserve Fund for field office accommodation and staff housing in a total maximum amount of $22 million, similar to the practice currently being followed by other United Nations organizations. Of this amount, 75 per cent (16.5 million) would be earmarked for field office accommodations, relating mainly to UNICEF participation in common premises with other United Nations organizations. The balance of 25 per cent ($5.5 million) would be used to acquire, if necessary, or renovate existing housing for international staff assigned to field office duty stations where suitable housing is not available for rent or where rental rates are exorbitant.

V. MOCK-UP OF REVISED FORMAT OF TABLES AND ANNEXES

7. The Committee recommends that the Executive Board:

Approves the present mock-up as the basis to revise the associated tables and annexes for the next biennium budget proposal.

VI. AMENDMENT TO FINANCIAL REGULATION ON REVALUATION POLICY

8. The Committee recommends that the Executive Board:

Decides to amend Financial Regulation 4.10 as follows:

"Regulation 4.10: Differences resulting from the payment of contributions pledged in currencies other than United States dollars shall be recorded against these contributions."

VII. FINANCIAL PLAN, 1990-1993

9. The Committee recommends that the Executive Board:

Approve the medium-term plan as a framework of projections for 1990-1993 (summarized in table 7), including the preparation of up to $585 million in programme expenditures from general resources to be submitted to the 1991 Executive Board (shown in table 6, item 4). This amount is subject to the availability of resources and to the condition that estimates of income and expenditure made in this plan continue to be valid.

VIII. FINANCIAL REPORTS

10. The Committee reviewed and noted the following:

(a) The financial report and statements for the biennium ended 31 December 1989 (E/ICEF/1990/AB/L.7);

(b) Review of expenditures in excess of commitments and unspent commitments for completed projects financed by supplementary funds (E/ICEF/1990/AB/L.10);

(c) Report to the United Nations Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions regarding Geneal Assembly resolution 44/183 (E/ICEF/1990/AB/L.14).

IX. UNICEF STAFFING

11. The Committee reviewed and noted a report on the composition of all international Professional core staff by title, grade, duty station and nationality (E/ICEF/1990/AB/L.2.)

X. GREETING CARD OPERATION - 1990 WORK PLAN

A. Greeting card and related operations (GCO) budgeted expenditures for the 1990 season

12. The Committee recommends to the Executive Board that:

(a) For the fiscal year 1 May 1990 to 30 April 1991, budgeted expenditures be approved as detailed in tables 3, 4 and 5, and summarized in column II of table 7;

(b) The Executive Director be authorized:

(i) To incur expenditures as summarized in column II of table 7 and to increase the expenditures up to the level indicated in column III of table 7, should apparent demand before and during the season necessitate; accordingly, to reduce expenditures below the level indicated in column II to the extent necessary, should the demand decrease;

(ii) To transfer funds between allotment accounts if necessary within the limits shown in table 7;

13. To spend an additional amount between Board sessions when necessary, owing to currency fluctuations, to ensure the continuing operation of GCO.

B. Budgeted income for the 1990 season

14. The Committee noted that for the fiscal year 1 May 1990 to 30 April 1991, gross GCO income is budgeted as indicated in column II of table 7.

C. GCO special operation account for special fund-raising events

15. The Committee recommends that the Executive Board approve the creation of a special operating account with a limit of $1 million from event revenues in the accounts of the GCO. This account is to be:

(a) Governed by rules developed in co-operation with the Division of Financial Management in accordance with the UNICEF Financial Regulations and Rules Special Supplement - Greeting Card Operation (E/ICEF/FINANCIAL RULES/1/Add.1);

(b) Used only when anticipated event revenues have not been received in time to cover initial expenses, and subject to an approved budget which realistically demonstrates that total event revenues will be sufficient to repay the special operating account.

XI. GREETING CARDS OPERATION - FINANCIAL REPORTS

16. The Committee reviewed and noted the following:

(a) The GCO financial report for the 1988/89 season (E/ICEF/1990/AB/L.5);

(b) The GCO provisional report on the 1989 season (E/ICEF/1990/AB/L.4).

XII. REVISED MODEL BASIC CO-OPERATION AGREEMENT

17. The Committee noted the paper on the revised model basic co-operation agreement and recommends that the Executive Board:

Review and note the text of the model Basic Co-operation Agreement, and authorize the secretariat to use this model Agreement as the basis for negotiating Agreements with co-operating Governments where no such agreement now exists.

18. The Committee also agreed that the secretariat would resubmit the text of the Revised Model Basic Co-operation Agreement between UNICEF and Governments for approval at the 1991 Executive Board.

XIII. STATEMENT BY THE CHAIRPERSON OF THE UNICEF GLOBAL STAFF ASSOCIATION

19. The Committee heard with appreciation the statement of the Chairperson of the UNICEF Global Staff Association which outlined issues of concern to UNICEF staff.